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ADMINISTRATIVE AND BUDGETARY ASPECTS OF THE FINANCING OF THE UNITED NATIONS PEACE-KEEPING OPERATIONS

Establishment of a Peace-keeping Reserve Fund

Report of the Advisory Committee on Administrative and Budgetary Questions

1. The Advisory Committee on Administrative and Budgetary Questions has considered the report of the Secretary-General on the establishment of a Peace-keeping Reserve Fund (A/49/654), which updates the information contained in annexes I and II to the previous report of the Secretary-General (A/48/622) on the same subject. During its consideration of the report, the Committee met with representatives of the Secretary-General who provided additional information.

2. The General Assembly, in its resolution 47/217 of 23 December 1992, created a Peace-keeping Reserve Fund as a cash-flow mechanism to ensure the rapid response of the Organization to the needs of peace-keeping operations, and decided that the level of the Fund should be $150 million. Funding was to be provided by the transfers of balances of an initial amount of $59 million from the special accounts for the United Nations Transition Assistance Group (UNTAG) ($42 million) and the United Nations Iran-Iraq Military Observer Group (UNIIMOG) ($17 million). Residual amounts were to be transferred as soon as the special accounts for both operations were closed. However, the major portion required to provide the full $150 million was to be financed from the amount retained in the General Fund pursuant to General Assembly resolution 42/216 A of 21 December 1987. Member States' shares of the Peace-keeping Reserve Fund were to remain fixed and were to be calculated on the basis of the ad hoc apportionment set out in Assembly resolution 45/247 of 21 December 1990.

3. With regard to the transfer of the remaining portion retained in the General Fund, paragraph 4 of document A/48/622 indicates the following:

"In view of the substantial unpaid assessments owed to the regular budget, it was not expected that a cash contribution to the Peace-keeping Reserve Fund from the outstanding assessments would be available for some time. Upon receipt of these amounts, priority would be given to repaying amounts owed to the Special Account and the Working Capital Fund before payment could be made to the Peace-keeping Reserve Fund."

4. The most recent report of the Secretary-General (A/49/654) updates annexes I and II to the previous report (A/48/622) for the period ending 31 October 1994. As at that date, total receipts consisted of $65,104,353. Outstanding loans to peace-keeping operations totalled $64,900,000, leaving an available balance of $204,353. Amounts due to the Peace-keeping Reserve Fund totalled $85,744,221.

5. The General Assembly, in resolution 49/233 of 23 December 1994, section XI, while deciding to maintain the Reserve Fund's level, limited the utilization of the Fund to the start-up phase of new peace-keeping operations, to the expansion of existing ones or to unforeseen and extraordinary expenditures related to peace-keeping. It also strongly urged Member States to make every possible effort to ensure full and timely payment of their assessed contributions so as to improve the cash-flow situation, thus enabling replenishment of the relevant reserves.

6. During its consideration of the report, the Advisory Committee received updated information regarding the Peace-keeping Reserve Fund, which is annexed to the present report. As at 31 December 1995, total receipts amount to $93,258,951. This amount comprises $89,255,962 in transfers pursuant to General Assembly resolution 47/217, including $47,002,762 from UNTAG, $17,253,200 from UNIIMOG and $25,000,000 from the General Fund. Besides the Swiss voluntary contribution mentioned in annex I to document A/49/654, interest income amounts to $3,651,000. All outstanding loans to peace-keeping operations have been paid.

7. Still due to the Reserve Fund is the amount of $60,893,038, which includes $57,601,038 from the General Fund, $2,240,000 from UNTAG, $903,000 from UNIIMOG and $149,000 in accrued interest.

8. The Advisory Committee requested information on how interest was calculated and whether the rate applicable to the Reserve Fund was set by the United Nations. The Committee was informed that interest rates on investments of the Fund are those offered by the financial institutions in which those short-term investments are placed.

9. The Committee also inquired whether there were enough credits still available under General Assembly resolution 42/216 A that would permit the transfer of the amount still due from the General Fund, in the light of Assembly resolution 50/83 of 15 December 1995, concerning the adjustment to South Africa's assessed contributions for the period from 30 September 1974 to 23 June 1994. The Committee was informed that surpluses retained as a result of the suspension of financial regulations 4.3, 4.4 and 5.2 (d) for the financial period 1986-1987 amounted to some $154.8 million. This amount has been reduced by $53.9 million to some $100.9 million based on resolution 50/83.

10. Furthermore, the amounts of $2.2 million and $0.9 million anticipated from outstanding assessments for UNTAG and UNIIMOG, respectively, to the Peace-keeping Reserve Fund have been reduced to some $0.7 million and $0.2 million. Nevertheless, there are sufficient credits available to provide for the adjusted amount of some $60.7 million, which will now be required from the General Fund to finance the Peace-keeping Reserve Fund in accordance with General Assembly resolution 47/217.

11. Regarding the observations made in section IV of document A/48/622, in particular paragraph 15, the Committee points out that the proposals contained therein appear to have been superseded by events in the recent past. The projected level of expenditures for peace-keeping operations for the period from 1 July 1996 to 30 June 1997 is estimated at $1.3 billion, as compared to expenditures of $3.5 billion during 1994. Current monthly expenses for peace-keeping operations no longer amount to $215 million but to approximately $100 million. Taking this into account and bearing in mind the financial authority under the terms of resolution 49/233, section IV, and the full capitalization of the Fund as called for in section XI of the same resolution, the Advisory Committee believes there are no longer compelling reasons for establishing a much larger revolving fund at $400 million as recommended by the Independent Advisory Group on United Nations Financing (see A/48/460).

12. However, the General Assembly has still to address the issue of the imputation of interest income earned in the Reserve Fund, as indicated in paragraph (j) of resolution 47/217, which, as at 31 December 1995, stood as interest income of $3,651,000, and as accrued interest receivable of $149,000.

13. The Advisory Committee also inquired about the treatment of new Members and their contributions to the Reserve Fund. Paragraph (g) of resolution 47/217 indicates that States becoming Members of the United Nations "following the date of the adoption of the present resolution and which do not have a claim to a share in the Fund shall contribute to the Fund in accordance with the scale of apportionment for peace-keeping operations in effect on the date of their first assessment for United Nations peace-keeping operations". The Committee stresses the mandatory nature of the assessment of new Members to fund the Peace-keeping Reserve Fund. Shares of the original founding Members should therefore be recalculated as new assessments are credited to the Reserve Fund on the basis of the ad hoc apportionment set out in Assembly resolution 45/247 (see also para. 14 below).

14. Furthermore, the Advisory Committee requested information regarding Member States' shares of the Peace-keeping Reserve Fund, which had been expected to be issued as a follow-up to document A/48/622 and in accordance with the request contained in paragraph (e) of Assembly resolution 47/217. The Committee was informed that calculation of Member States' shares would be finalized during the autumn of 1996. The Committee trusts, therefore, that the Secretary-General will submit this information to the General Assembly during its fifty-first session.

15. In the light of the above, the General Assembly may wish to take a decision on the imputation of interest income earned in the Reserve Fund, and request the Secretariat to provide information on an annual basis regarding the status of the Peace-keeping Reserve Fund.

ANNEX I

Summary status of the Peace-keeping Reserve Fund
as at 31 December 1995

(United States dollars)

Authorized level of the Fund			150 000 000
(a) Transfers to the Fund pursuant to General Assembly resolution 47/217, para. (f) (i)			
(i) From UNTAG		47 002 762	
(ii) From UNIIMOG		17 253 200	
(iii) From United Nations General Fund		25 000 000	89 255 962
(b) Interest income			3 651 000
(c) Voluntary contribution			351 989
Total receipts, (a) + (b) + (c)			93 258 951
(d) Outstanding loans to peace-keeping operations			0
Available balance (a) + (b) + (c) - (d)			93 258 951
(e) Due to the Reserve Fund			
From the United Nations General Fund		57 601 038 a/	
From UNTAG		2 240 000	
From UNIIMOG		903 000	
Accrued interest receivable		149 000	
Total		60 893 038	60 893 038

a/ To be transferred from the amount of $154,881,112 that has been retained in the General Fund pursuant to General Assembly resolution 42/216 A of 21 December 1987.

ANNEX II

Utilization of Peace-keeping Reserve Fund from November 1994 to 31 December 1995

(Thousands of United States dollars)

	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
	1994		1995											
Receipts	65 104	65 104	65 104	65 104	90 104	90 104	90 104	90 866	90 866	90 866	92 062	92 062	92 062	93 258
Loans outstanding														
United Nations Observer Mission in El Salvador	6 000	6 000	6 000	6 000	6 000	6 000	6 000	6 000	6 000	6 000	6 000	0	0	0
United Nations Angola Verification Mission	19 000	19 000	19 000	19 000	19 000	15 000	15 000	15 000	15 000	16 000	0	0	0	0
United Nations Transitional Authority in Cambodia	37 900	32 900	28 000	18 000	18 000	0	0	0	0	0	0	0	0	0
United Nations Observer Mission in Liberia	2 000	2 000	2 000	2 000	2 000	2 000	2 000	2 000	2 000	2 000	2 000	0	0	0
Total loans	64 900	59 900	55 000	45 000	45 000	23 000	23 000	23 000	23 000	24 000	8 000	0	0	0
Available balance	204	5 204	10 104	20 104	45 104	67 104	67 104	67 866	67 866	66 866	84 062	92 062	92 062	93 258